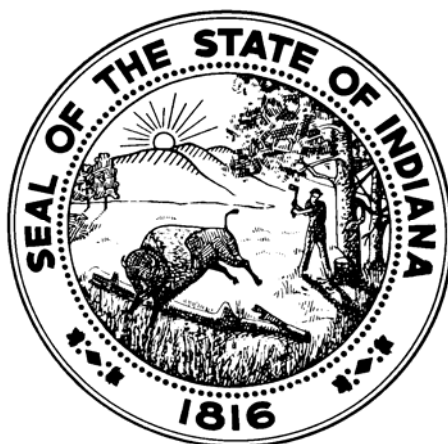


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF
STATE STUDENT ASSISTANCE COMMISSION
STATE OF INDIANA
May 1, 2005 to June 30, 2007



FILED
10/12/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Officials.....	2
Independent Accountant's Report	3
Review Comments:	
Worker Misclassification	4
Internal Controls over Revenue Collections	4
Exit Conference	5
Official Response	6

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Dennis A. Obergfell (Interim) David Reynolds	01-10-05 to 08-26-07 08-27-07 to 01-11-09
Chairman	John M. Kennedy	09-13-03 to 09-12-07



STATE OF INDIANA

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE STATE STUDENT ASSISTANCE COMMISSION

We have reviewed the receipts, disbursements, and assets of the State Student Assistance Commission for the period of May 1, 2005 to June 30, 2007. The State Student Assistance Commission's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the State Student Assistance Commission are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

July 31, 2007

STATE STUDENT ASSISTANCE COMMISSION
REVIEW COMMENTS
June 30, 2007

WORKER MISCLASSIFICATION

During our review of the State Student Assistance Commission (SSACI), we found that SSACI entered into a contract with a worker who performs clerical and administrative support to the office of Twenty-First Century Scholars, including telephone reception, filing, written communications, record keeping, and other administrative duties as assigned. The Internal Revenue Service (IRS) Publication 15-A, Employer's Supplemental Tax Guide defines the criteria to determine an employer-employee or independent contractor relationship. Upon review of the criteria it is our audit position this worker qualifies as an employee and not an independent contractor.

IRS Publication 15-A, Employer's Supplemental Tax Guide states: "If you have an employer-employee relationship, it makes no difference how it is labeled. The substance of the relationship, not the label, governs the worker's status." The publication includes a detailed list of criteria for determining whether or not an individual qualifies for independent contractor status. We found that the worker did not meet several key criteria.

Each agency, department, institution, or office is responsible for compliance with applicable statutes, regulations, contract provisions, state policies, and federal requirements. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

INTERNAL CONTROLS OVER REVENUE COLLECTIONS

Our testing of revenue collections revealed a deficiency in the State Student Assistance Commission's (SSACI) internal control structure. Duties were not sufficiently segregated. Although the controller signs off on the report of collections/receipts (ROC) form and performs reconciliations of the ROC's with the cash book and ledger, one employee was in charge of opening the mail, logging and endorsing the checks, preparing the deposits, making the deposit, and posting to the record.

Each agency, department, quasi, institution, or office should have internal controls in effect, which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)


STATE STUDENT ASSISTANCE COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2007, with Dennis A. Obergfell, Interim Executive Director. The official response has been made a part of this report and may be found on page 6.



TO: Mr. Bruce Hartman, State Board of Accounts
302 West Washington Street, Room E-418
Indianapolis, Indiana 46204

ISTA Center Building
150 W. Market Street, Suite 500
Indianapolis, Indiana 46204
317.232.2350 ph 317.232.3260 fax

FROM: Dennis A. Obergfell, State Student Assistance Commission of Indiana 

www.ssaci.in.gov

DATE: October 10, 2007

RE: Official Response – State Board of Accounts (SBOA) Comments June 30, 2007
State Student Assistance Commission of Indiana

WORKER MISCLASSIFICATION

While the State Student Assistance Commission of Indiana (SSACI), does not completely agree that the contract we have with a worker to perform clerical and administrative support to the office of Twenty-first Century meets the terms of an employee as defined in the Internal Revenue Service (IRS) Publication 15-A, Employer's Supplemental Tax Guide, we do believe that creating a permanent state position in place of the current contract in question is a more prudent way to proceed.

As such, as soon as practicable, the agency will terminate the contract referenced in this finding and work with state personnel to create a full-time permanent position in its place. In summary, the Commission appreciates the advice offered by SBOA officials relative to this finding and will act accordingly to heed it.

INTERNAL CONTROLS OVER REVENUE COLLECTIONS

SBOA's reports states that SSACI's internal control structure revealed a deficiency because the duties are not sufficiently segregated. In simple terms, we were told that the deficiency in question is that SSACI only has one employee who opens the mail, logs and endorses the checks, prepares and makes deposits, and posts to the record. Two things should be noted in response to this observation: 1. SBOA's report acknowledges that SSACI's controller signs off on the Report of Collections/Receipts (ROC) form as completed by the individual referenced above and he performs reconciliations of the ROC's with the cash book and ledger; and 2. SSACI believes that its revenue collections efforts are the best it can do with the limited staff it has to perform the totality of the responsibilities for which it is obligated to perform.

The number of checks received by the agency through the mail is extremely limited; most financial transactions involving the agency are done via EFT. Assigning two individuals to open mail every day, when the majority of the mail received by the agency is limited to requests for information, college choice/address changes and applications/verifications for various programs is not feasible at the moment due to staffing limitations.

In summary, the agency appreciates the observations made by SBOA. We believe the audit was performed in an extremely professional and thorough manner. If you have any questions with respect to this response, please feel free to contact me.